General Assembly **Amendment**

January Session, 2001 LCO No. **8861**

Offered by:
SEN. LOONEY, 11th Dist.
SEN. PETERS, 20th Dist.

To: Subst. Senate Bill No. **1178** File No. 660 Cal. No. 428

"AN ACT CONCERNING PROPERTY TAX EXEMPTIONS FOR MANUFACTURING MACHINERY AND EQUIPMENT, A MORATORIUM ON CHANGING ASSESSMENT METHODS FOR CERTAIN UTILITY PROPERTY AND FIXING OF ASSESSMENTS FOR ELECTRIC GENERATING FACILITIES."

Strike out everything after the enacting clause and substitute the following in lieu thereof:

"Section 1. Subdivision (70) of section 12-81 of the general statutes is repealed and the following is substituted in lieu thereof:

(70) New machinery and equipment used directly in the manufacturing of goods or products and acquired through purchase by any business organization or any affiliate of such business organization as part of a technological upgrading of the manufacturing process at a location in a distressed municipality, targeted investment community, as defined in section 32-222, or enterprise zone designated pursuant to section 32-70, and for which an eligibility certificate has been issued by the Department of Economic and Community

Development, which business organization (A) is engaged in the manufacturing, processing or assembling of raw materials, parts or manufactured products, (B) has been in continuous operation in the state for a period not less than five years prior to claiming the exemption provided in this subdivision, (C) had gross receipts in an amount less than twenty million dollars in the year prior to claiming the exemption provided in this subdivision, including receipts of any affiliates of the business organization, and (D) has incurred costs in acquiring such machinery and equipment not less than the greater of (i) two hundred thousand dollars or (ii) two hundred per cent of the business organization's and affiliate's average expenditure for the acquisition of machinery and equipment used directly in the manufacturing of goods or products at the location in the distressed municipality, targeted investment community or enterprise zone designated pursuant to section 32-70 during the three years prior to claiming the exemption provided in this subdivision, as follows: To the extent of fifty per cent of its valuation for purposes of assessment in each of the five full assessment years following the assessment year in which such machinery and equipment is acquired. Any person who desires to claim the exemption provided in this subdivision shall file annually with the assessor or board of assessors in the distressed municipality, targeted investment community or enterprise zone designated pursuant to section 32-70 in which the business organization is located, on or before the first day of November, written application claiming such exemption on a form prescribed by the Secretary of the Office of Policy and Management. Failure to file such application in this manner and form within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year, unless an extension of time is allowed pursuant to section 12-81k, and upon payment of the required fee for late filing. No person shall be eligible to receive the exemption provided in this subdivision if such exemption is sought for machinery and equipment located in a manufacturing facility as defined in subsection (d) of section 32-9p, currently receiving assistance under subdivisions (59) and (60) of section 12-81, and no person shall receive such exemption for eligible machinery or equipment at each location in a distressed municipality, targeted investment community or enterprise zone designated pursuant to section 32-70 more than once in any continuous five-year period. The state and the municipality and district shall hold a security interest, as defined in subdivision (37) of section 42a-1-201, in any machinery or equipment which is exempt from taxation pursuant to this subsection, in an amount equal to the tax revenue reimbursed or lost, as the case may be, which shall be subordinate to any purchase money security interest, as defined in section 42a-9-107. Such security interest shall be enforceable against the taxpayer for a period of five years after the last assessment year in which such exemption was received in any case in which the business organization ceases all business operations or moves its business operations entirely out of this state. The assessor of the town in which manufacturing operations of a business organization that has received the exemption under this subdivision is located shall provide written notification to said secretary of the cessation of such operations or the move of such operations entirely out of the state. Such notification may be made at any time after the October first of the last assessment year in which such exemption is received and before the September thirtieth that is five years after the conclusion of said assessment year. Upon receiving such a notification, the secretary shall promptly file a notice of lien upon personal property, under part 4 of article 9 of title 42a, to recapture the amount of tax revenue reimbursed. Such notice of lien, once perfected, shall have priority over all previously perfected liens and security interests and other encumbrances of record under the Connecticut Uniform Commercial Code other than loans that secure debt related to the purchase, assembly, construction or installation of the machinery or equipment. If more than one agency of the state perfects such a notice of lien on the same day, the priority of such liens shall be determined by the time of day such liens were perfected, and if perfected at the same time, the lien for the highest amount shall take precedence. In addition to the other remedies provided in this subdivision, the Attorney General, upon request of the secretary, may bring a civil action in a court of competent jurisdiction to recover the amount of tax revenue reimbursed by the state from any person who received an exemption under this subdivision.

Sec. 2. (NEW) Any electric generating facility the construction of which is completed after July 1, 1998, may be treated for purpose of section 32-71 of the general statutes as if it were located in an enterprise zone and used for commercial or retail purposes. Notwithstanding the provisions of said section 32-71, upon the approval of a municipalities' legislative body, the full amount of either assessments or taxes may be fixed for the real and personal property of such electric generating facility both during and after the construction period, provided such assessments or taxes so fixed represent an approximation of the projected tax liability of such facility based on reasonable estimation of its fair market value as determined by the municipality upon the exercise of its best efforts.

Sec. 3. (NEW) As used in section 2 of this act, "electric generating facility" means a facility, as defined in subdivision (3) of subsection (a) of section 16-501 of the general statutes.

Sec. 4. Subdivision (60) of section 12-81 of the general statutes is repealed and the following is substituted in lieu thereof:

(60) (a) (1) Machinery and equipment which represents an addition to the assessment or grand list of the municipality in which this exemption is claimed and is installed in any manufacturing facility, as defined in section 32-9p, which facility is or has been constructed, or substantially renovated or expanded on or after July 1, 1978, in a distressed municipality or targeted investment community or enterprise zone designated pursuant to section 32-70 and for which an eligibility certificate has been issued by the Department of Economic and Community Development, concurrently with and directly attributable to such construction, renovation or expansion, (2) machinery and equipment which represents an addition to the assessment or grand list of the municipality in which this exemption is claimed and is installed, or machinery and equipment existing, in any

manufacturing facility, as defined in section 32-9p, which facility is or has been acquired on or after July 1, 1978, in a distressed municipality, targeted investment community or enterprise zone designated pursuant to section 32-70 and for which an eligibility certificate has been issued by the Department of Economic and Community Development, and (3) machinery and equipment acquired and installed on or after October 1, 1986, in a manufacturing facility that is or has at one time been certified as eligible for the exemption under this subparagraph in accordance with section 32-9r, and which continues to be used for manufacturing purposes, provided such machinery and equipment is installed in conjunction with an expansion program that satisfies the requirements for a manufacturing facility, as defined in section 32-9p, and is contiguous to and represents an increase in square feet of floor space of not less than fifty per cent of the floor space in the certified manufacturing facility, as follows: To the extent of eighty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the manufacturing facility in which it is installed qualifies for an exemption under subdivision (59) of this section, except that a facility having a code classification 2833 or 2834 in the Standard Industrial Code Classification Manual, United State Office of Management and Budget, 1987 edition, wherein at least one thousand new full-time employees, as defined in subsection (f) of section 32-9j, are employed, shall be eligible to have the assessment period under this subdivision extended for five additional years upon the approval of the commissioner, provided the commissioner approves an extension of the assessment period under subdivision (59) of this section for said facility;

(b) (1) Machinery and equipment which represents an addition to the assessment or grand list of the municipality in which this exemption is claimed and is installed in any service facility, as defined in section 32-9p, which facility is or has been constructed, or substantially renovated or expanded on or after July 1, 1996, and for which an eligibility certificate has been issued by the Department of Economic and Community Development, concurrently with and directly attributable to such construction, renovation or expansion, (2) machinery and equipment which represents an addition to the assessment or grand list of the municipality in which this exemption is claimed and is installed, or machinery and equipment existing, in any service facility, as defined in section 32-9p, which facility is or has been acquired on or after July 1, 1996, and for which an eligibility certificate has been issued by the department, and (3) machinery and equipment acquired and installed on or after July 1, 1996, in a service facility that is or has at one time been certified as eligible for the exemption under this subparagraph in accordance with section 32-9r and which continues to be used for service purposes, provided such machinery and equipment is installed in conjunction with an expansion program that satisfies the requirements for a service facility, as defined in section 32-9p, and is contiguous to and represents an increase in square feet of floor space of not less than fifty per cent of the floor space in the certified service facility, as follows: (i) In the case of an investment of twenty million dollars or more but not more than thirty-nine million dollars in the service facility, to the extent of forty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; (ii) in the case of an investment of more than thirty-nine million dollars but not more than fifty-nine million dollars in the service facility, to the extent of fifty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; (iii) in the case of an investment of more than fifty-nine million dollars but not more than seventy-nine million dollars in the service facility, to the extent of sixty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; (iv) in the case of an investment of more than seventy-nine million dollars but not more than ninety million dollars in the service facility, to the extent of seventy per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section; or (v) in the case of an investment of more than ninety million dollars in the service facility, to the extent of eighty per cent of its valuation for purposes of assessment in each of the five full assessment years for which the service facility in which it is installed qualifies for an exemption under subdivision (59) of this section, except that any financial institution, as defined in section 12-217u, having at least four thousand qualified employees, as determined in accordance with an agreement pursuant to subdivision (3) of subsection (n) of section 12-217u, shall be eligible to have the assessment period extended for five additional years upon approval of the commissioner, in accordance with all applicable regulations, provided such full-time employees have not been relocated from another facility in the state operated by the same eligible applicant. In no event shall the definition of qualified employee be more favorable to the employer than the definition provided in section 12-217u;

(c) This exemption shall terminate for the assessment year next following if the manufacturing facility or service facility in which such machinery and equipment is installed no longer qualifies for an exemption under said subdivision (59), and there shall not be a pro rata application of the exemption of such machinery and equipment in the assessment year of such termination. Any person who desires to claim the exemption provided in this subdivision shall file annually with the assessor or board of assessors in the distressed municipality, targeted investment community or enterprise zone designated pursuant to section 32-70 in which the manufacturing facility or service facility is located, on or before the first day of November, written application claiming such exemption on a form prescribed by the Secretary of the Office of Policy and Management. Failure to file such application in this manner and form within the time limit prescribed shall constitute a waiver of the right to such exemption for such assessment year, unless an extension of time is allowed pursuant to section 12-81k, and upon payment of the required fee for late filing.

This exemption shall not apply to rolling stock.

Sec. 5. This act shall take effect from its passage, except that section 1 shall take effect July 1, 2001, and shall be applicable with respect to property tax exemptions for the October 1, 2000, assessment year and each subsequent assessment year."